

EXPLANATION OF CERTAIN CALCULATIONS IN "USSR FALTERS IN ECONOMIC GROWTH
RACE WITH THE US"

1. Growth rates for US GNP were calculated from a series in 1964 dollars, which was based on the revised GNP accounts issued by the US Department of Commerce in August 1965.

2. Growth rates for Soviet GNP were calculated from an index of Soviet GNP that was constructed according to Western not Soviet, definitions.

a. The industrial component of this index was based on estimates of physical production of about 400 major Soviet commodities, weighted according to estimates of value added in the sector represented by each commodity or group of commodities. For the most part, Soviet announcements of physical production of major industrial commodities were accepted after having been checked against other information, but a considerable amount of estimating was necessary for products omitted or reported only in part. The index of industrial production that resulted from this procedure typically shows a year-to-year rate of growth two percentage points below the rate shown by the official Soviet index of the gross value of industrial production. This differential of two percentage points is attributable to a combination of factors, the most important of which probably is the pervasive pressure within the Soviet administrative structure to emphasize favorable developments and to conceal the unfavorable.

b. The agricultural component of this index departs further from official Soviet data than the industrial component. The information system within the USSR is more unreliable in the reporting of agricultural data. Furthermore, the leadership exaggerates in reporting successes in agriculture and throws smokescreens over failures through such devices as changes in definitions. The estimates actually used for the agricultural component are based on all available evidence, including descriptions of weather and growing conditions in the Soviet press and periodicals and reports on programs for irrigation, deliveries of farm equipment and fertilizer, acreage planted, and the like.

c. The other components of GNP were obtained in like fashion from a critical scrutiny of Soviet data and other information. Important "services" -- passenger transportation, education, and health, for instance -- are excluded from the Soviet concept of national income but were included in these estimates by methods as close as possible to Western national accounting procedures.

d. The major components of Soviet GNP were combined by value-added weights in 1957 prices. The weights were made up of wages and wage supplements, income in kind, profits, amortization allowances, and imputed rent on agricultural land. If rent had not been imputed and the weight of agriculture thus reduced, annual rates of growth of

Soviet GNP would have been slightly less in good crop years and slightly more in bad crop years, and the average rate of growth of GNP for the period 1956-64 would have been raised by only about one-tenth of a percentage point. The value-added shares for the year 1964 were as follows: for industry, 34 percent; for agriculture, 31 percent; and for all other components, 35 percent.

3. The percentage comparison of US and Soviet GNP for each year was made by comparing each nation's real output first in 1955 ruble prices and then in 1964 dollar prices and by taking the geometric mean of the two results. Thus the conclusion that present Soviet GNP is about one-half US GNP is not intended to be an exact statement but rather a useful approximation. It is probably an overstatement of the relative size of Soviet GNP, because the quality, diversity, and availability of products are not adequately taken into account.